



Project Proposal for

Suriname

January 2025

Component: Spending

Module: SM II – Managing Public Finance



PROJECT SUMMARY**COUNTRY:** Suriname**LEAD DEPARTMENT:** FAD**REGION:** WHD**PLANNED DATES:** FY25/26/27/28**FUNDING PROGRAM TITLE:** Suriname – GPFP Spending Module I&II**PROJECT MANAGERS:** Jean Pierre Nguenang (Managing Public Finance, FADM2)**ESTIMATED BUDGET** \$440,936**PROJECT AMENDMENTS:****PURPOSE****SC APPROVAL****AMENDMENT 1**

The purpose of this project is to add a spending component to the existing revenue component approved in June 2024.

January 2025

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ACRONYMS

CARTAC	IMF's Caribbean Regional Technical Assistance Centre
CD	Capacity development
ECF	IMF's Extended Credit Facility
FAD	IMF's Fiscal Affairs Department
IFMIS	Integrated financial management information systems
PFM	Public financial management
PFM-PAP	PFM priority action plan
PIM	Public investment management
STX	Short-term expert
TSA	Treasury single account

I. PROJECT PURPOSE

Country request and relevance/importance

The government has a strong desire to enhance Suriname's public financial management (PFM) effectiveness and ensure better fiscal management as indicated in their ongoing 36-month Arrangement with the IMF under the Extended Fund Facility (EFF). The authorities committed to key priority PFM reforms under the EFF program, and these were largely executed with the materialization of technical assistance. The government's first PFM priority action plan (PFM-PAP) was developed with assistance from the IMF's Fiscal Affairs Department (FAD) in July 2024, before its adoption by the Minister of Finance and Planning. The PFM-PAP covers the period December 2024 to December 2027 and requires support for its implementation, given the limited capacity in Suriname. Therefore, to ensure its implementation, the authorities requested FAD support. The PFM-PAP was designed to serve as a reference document that would foster a coordinated approach among donors and set the foundation for modern and efficient PFM practices in Suriname.

Description of Modules

The CD program aims to support the implementation of the PFM-PAP to strengthen Suriname's core PFM functions in preparation for the start of oil production by 2028. PFM-PAP will provide support on improved reform coordination, strengthened budget institutions, improved internal controls, enhanced cash management, improved fiscal reporting accountability and transparency, and enhanced integrated financial management information systems (IFMIS). Ongoing significant investments in offshore oil fields that promise significant future revenues starting in 2028 would require strong PFM foundations to contribute to responsible oil wealth resource management.

The estimated budget for this project is \$440,936. Endorsement is requested for the full amount, through FY27. Future endorsements will be sought as funding is secured and the reform plan gains traction. This project has been discussed with the authorities, and the medium-term objectives and outcomes have been agreed upon.

II. BACKGROUND

Macro-fiscal situation

Suriname is currently undergoing significant transformations in its economic landscape, driven by a commitment to policy reforms aimed at fostering macroeconomic stability. The government focuses on improving fiscal governance, addressing gender inequality, and managing oil revenues efficiently and transparently through a holistic approach aligned with its national development agenda.

The Suriname economy is showing positive trends. GDP growth is anticipated to rebound to 3 percent in 2024. Inflation is expected to decline to 10.5 percent by the end of 2024. Public debt is decreasing, with international bond spreads at historic lows. Significant investments in offshore oil fields promise substantial future revenues.

Country engagement and alignment to reform priorities

The CD program is aligned with PFM reform priorities. The PFM-PAP represents the PFM reform agenda that has been implemented since its adoption. Authorities are committed to these reforms and have requested immediate assistance, to assist with capacity development and training on budgeting functions, cash flow forecasting, and following up on setting quarterly ceilings on expenditure commitments. Funded by an alternate funding source, these capacity development (CD) activities are scheduled to start taking place as early as December 2024, given the urgency of the support, especially to achieve one of the structural benchmarks that relates to setting quarterly ceilings on expenditure commitments.

The authorities remain committed to the objectives of their current program with the IMF. During the 2024 Article IV consultations with the IMF, the authorities seemed committed to introducing fiscal rules for oil revenue management in the context of the commencement of oil production by 2028. They also intended to establish mechanisms for transparent management of resource revenue. They finally intended to enhance governance and transparency in extractive industries, and to reduce gender gaps in employment. CD support with implementation of reforms underpinning the current (and prospective) program with the IMF therefore remains crucial.

IMF priority areas / cross-cutting themes

This CD program will also help advance reforms in digitalization. The IFMIS (FreeBalance) will be strengthened to enhance practices in all PFM aspects. FreeBalance is still mostly underutilized. The CD program will help provide training for its effective use. It will also ensure its interoperability with the Central Bank's IT system.

III. PROJECT MODULES - DESCRIPTION

This proposal will provide CD support to Suriname in key priority areas included in the PFM-PAP. FAD CD will support improvements within the strategic objectives presented in Table 1.

Table 1. Summary of Objectives covered by the Proposal.

Component	Module	Objective
Spending	SM II – Managing Public Finance	- Frameworks to Build Sustainable Fiscal Institutions - Strengthened Budget Management

A. SM II – Managing Public Finances

Scope

Suriname's PFM framework needs to be revamped in all its aspects. After the adoption of the PFM-PAP, the authorities need to develop operational activity plans to ease its implementation in specific areas. Moreover, they should improve practices in the key areas of focus, including internal controls, prevention of expenditure arrears, cash management and treasury single account (TSA), and IFMIS.

Recent progress made by the authorities needs to be consolidated to address persistent weaknesses. The authorities are revising the 2019 PFM Act to align it with international standards. They recently established a cash management unit within the Treasury Office. They have identified strategies for arrears reduction. They are preparing and making publicly available the budget execution reports. Despite these strengths, the PFM system still faces significant challenges, including: (i) inefficient internal controls marked by ambiguity in the roles and responsibilities of PFM actors that contribute to accumulation of expenditure arrears; (ii) poor cash management and a nascent TSA that impedes

budget execution; and (iii) an underutilized IFMIS marked by its lack of integration and user engagement that restricts its effectiveness.

Program Objectives

The CD program aims to strengthen the core PFM functions in line with the recently adopted 2024-27 PFM-PAP. Two main objectives are prioritized under this CD program.

First, the CD program will help strengthen fiscal institutions. To achieve this objective, the CD program will build capacity to develop reform strategies and operational activity programs for specific areas to ease implementation of the PFM-PAP. It will also assist with enhancing the implementation and operationalization of the IFMIS (FreeBalance) by the provision of training for its effective use, and by integrating IFMIS with other systems, including the Central Bank's IT system to ensure interoperability.

Second, this CD program will assist with strengthening budget management. Under this objective, the CD program will help strengthen internal controls, by enhancing expenditure predictability, improving expenditure control procedures, and preventing expenditure arrears. The CD program will also help improve cash management, by continuing support on developing and progressively implementing a TSA strategy and improving the reliability of cash forecasts and its analysis, through the introduction of the IMF's cash forecasting and analysis tool (CFAT).

Expected Results (outcomes)

Main expected outcomes are the following:

Under the first program objective on strengthening fiscal institutions:

- Capacity to develop operational action plans for specific critical PFM areas is enhanced.
- Capacity to coordinate implementation of the PFM-PAP is improved.
- IFMIS is sufficiently used and is integrated with the Central Bank's IT system.

Under the second program objective on enhancing budget management:

- Expenditure predictability is enhanced by establishing quarterly ceilings on expenditure commitments on a rolling basis.

- Expenditure control procedures are improved by establishing and enforcing clear guidelines for financial controllers.
- Cash management strategies are overseen by a Cash Management Strategic Committee
- Cash Flow Forecasts are reliable through the proper use of the IMF's CFAT.
- A strategy to progressively establish a TSA to consolidate cash resources is defined, disseminated, and implemented.
- Management of fiscal risks is improved.

Should there be a need for more activities to reach the expected outcomes, an updated workplan may be considered for deepening reforms subject to funding availability.

IV. ORGANIZATIONAL ARRANGEMENTS

A. Country Engagement

Suriname has benefited from six IMF CD support activities over the past 24 months, with most of them provided by the IMF's Caribbean Regional Technical Assistance Centre (CARTAC). To respond to PFM structural reforms under the EFF program, CARTAC's work focused on issues in the areas of cash management, TSA, fiscal reporting, and PFM legal framework. As a result, CARTAC CD helped (i) improve the quality of quarterly budget execution reports and their regular publication on the government website; (ii) set up a new cash management unit within the Treasury Office, which has been fully staffed; and (iii) align both the draft chart of accounts and the draft 2019 PFM act that are being finalized. However, there was no PFM strategy. FAD HQ engagement with Suriname was reestablished last June/July 2024 with support on developing the recently adopted PFM-PAP.

Going forward, CARTAC intends to provide support on oil revenue management. It will help strengthen Suriname's fiscal institutional framework for oil revenue management. This will include strengthening medium-term fiscal and expenditure frameworks and improving their links with annual budgets.

The Inter-American Development Bank (IDB) has been supporting public investment management (PIM). It has helped develop a PIM action plan and is providing support for its implementation. Support provided under the project will ensure complementarity with the support provided by the IDB.

B. Delivery Modalities

CD will consist of mostly in-person activities given the low-capacity environment. Virtual deliveries will be used, when needed, to provide efficiencies to in-person support, including pre-engagement meetings and post-follow-up meetings. The following CD activities will be delivered as a package:

- **Headquarters-led (HQ) missions** to provide strategic recommendations, conduct regular follow-ups, assess progress, ensure alignment of short-term expert (STX) work to plans, coordinate with other CD providers, and adjust reform implementation plans.
- **STX** visits to help implement the recommendations delivered by the HQ missions; a limited number of STXs will be assigned to provide specialized assistance in specific areas of revenue administration and public financial management. The project will seek to use Portuguese-speaking experts.
- **Workshops** during the HQ missions or STX visits to share experiences, provide stakeholders with a view of progress achieved and challenges faced, and discuss with the managers and staff their views on the reforms and particular technical subjects.

C. Coordination / Cooperation

Partner	Coordination Type	Coordination Area	Frequency
FAD and the IMF's Resident Representative for Suriname	Sharing of information, insights, and recommendations	Public financial management – PFM priorities, PFM recommendations, and status of PFM reforms	Bi-yearly
Inter-American Development Bank	Sharing of information, insights, and recommendations	PFM, PIM	Bi-yearly

V. RISK ASSESSMENT AND MITIGATION

Category/Module	Description	Risk Assessment	Mitigation Measures
EXTERNAL CLIMATE/CONDITIONS			
SM II - Managing Public Finance	Disrupted environment due to regional events	Medium	Ensure that the authorities remain committed to reforms
POLITICAL SUPPORT			
SM II - Managing Public Finance	Limited political support for reforms following the 2025 presidential elections	High	Ensure support from the new government
MANAGEMENT AND TECHNICAL STAFF SUPPORT AND COMMITMENT			
SM II - Managing Public Finance	Lack of management and technical staff support, and commitment from the Ministry of Finance and line ministries	Medium	Ensure commitment from key line ministries' cabinet officials
RESOURCE ADEQUACY			
SM II - Managing Public Finance	Limited capacity both at the Ministry of Finance and the line ministries; Availability of resources	Medium	Strengthen skills and ownership; ensure resource availability
OTHER RISKS			
SM II - Managing Public Finance	Lack of coordination with other donors	Medium	Ensure coordination with all development partners

VI. CD DELIVERY PLAN

Table 2. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY25	FY26	FY27	FY28	Grand Total
HQ led CD mission	1	-	1	1	3
STX visits	-	2	1	1	4
Workshops (inc. during HQ and remote CD)	1	1	1	1	4

Note: • Collectively, the blend of CD delivery proposed over the duration of this project/program reflects the optimal balance of in-person, remote, and hybrid activities needed to achieve the project/program outcomes taking into account the needs of the country and the resources available.

Table 3. Last quarter of FY25 and FY26 workplan

Timing	CD Modality	Proposed Topics of CD
SM II - Managing Public Finance		
Q4/FY25	Field-Based work - FB	HQ Mission to improve arrears control and management
Q2/FY26	Field-Based work - FB	STX mission to improve cash management and TSA
Q4/FY26	Field-Based work - FB	STX mission to improve budget execution and FMIS
Q1/FY27	Field-Based work - FB	STX to follow up on TSA
Q2/FY27	Field-Based work - FB	HQ mission on management of fiscal risks
Q2/FY28	Field-Based work - FB	HQ mission to follow up on the PAP-PFM action plan
Q4/FY28	Field-Based work - FB	STX to follow up on FMIS

VII. PROGRAM FINANCIALS

Module	FY 25	FY 26	FY 27	TOTAL (USD)
Direct Delivery				
SM II - Managing Public Finance	\$111,194	\$104,772	\$196,123	\$412,089
Trust Fund Management Fee (7%)	\$7,784	\$7,334	\$13,729	\$28,846
TOTAL	\$118,978	\$112,106	\$209,852	\$440,936

Note: The estimated budget for this project is \$ 440,936 and endorsement is requested for the full amount through FY27. Endorsement for future plans will be requested later as funding for the program is secured and reform plans gain traction.

VIII. TARGETED LOGICAL FRAMEWORK

A. SM II – Managing Public Finance

Objective	
Frameworks to Build Sustainable Fiscal Institutions - FIF	
Outcome(s)	Indicator(s)
Strengthen capacity to assess core PFM functions and develop reform strategies.	Developed strategic and/or operational action plan for PFM
Strengthened capacity to plan, implement and sustain digitalization	Strengthened functionality and/or IT architecture of PFM digital solution.

Objective	
Strengthened Budget Management - PBM	
Outcome(s)	Indicator(s)
Strengthened budget execution and control processes	Strengthened effectiveness of management of expenditure arrears
Strengthened asset and liability management processes.	Improved extent of consolidation of cash balances by the Treasury including for capital spending (Record Score: PEFA PI-20.2, PIMA 12.c);
Strengthened identification, monitoring, and management of fiscal risks	Strengthened effectiveness of management and reporting public corporation's fiscal risks including quasi-fiscal activities